SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K/A-2

CURRENT REPORT
PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934

Date of Report (Date of Earliest Event Reported): December 23, 2002

SECURITY NATIONAL FINANCIAL CORPORATION
(Exact name of registrant as specified in this Charter)

Utah	0-9341	87-0345941
(State or other jurisdiction of incorporation)	Commission File Number	(IRS Employer Identification No.)

5300 South 360 West, Salt Lake City, Utah 84123
(Address of principal executive offices)(Zip Code)

Registrant's Telephone Number, Including Area Code: (801) 264-1060

Does Not Apply
(Former name or former address, if changed since last report)

ITEM 2. Asset Purchase Transaction with Acadian Life Insurance Company

On December 23, 2002, Security National Financial Corporation, a Utah corporation (the "Company") completed an asset purchase transaction with Acadian Life Insurance Company, a Louisiana domiciled life insurance company ("Acadian"), in which it acquired from Acadian $75,000,000 in assets and $75,000,000 in insurance reserves through its wholly owned subsidiary, Security National Life Insurance Company, a Utah domiciled life insurance company ("Security National Life"). The acquired assets consist primarily of funeral insurance policies in force from over 275,000 policyholders in the state of Mississippi. The assets were originally acquired by Acadian from Gulf National Life Insurance Company ("GNLIC") on June 6, 2001, consisting of all of GNLIC's insurance policies in force and in effect on June 1, 2001 ("the GNLIC Reinsured Business").

As part of the transaction, Security National Life entered into a Coinsurance Agreement with Acadian, in which Security National Life agreed to reinsure all the liabilities related to the policies held by the Mississippi policyholders, including the payment of all legal liabilities, obligations, claims and commissions of the acquired policies. The effective date of the Coinsurance Agreement was September 30, 2002, at 11:59:59 p.m. (Central Daylight Time) subsequent to Acadian's recapture of the insurance in force from Scottish Re (U.S.) Inc. on September 30, 2002, at 11:59 p.m. (Central Daylight Time).

Under the terms of the Coinsurance Agreement, Security National Life agreed to assume all of the risks (including deaths, surrenders, disability, accidental deaths and dismemberment) on the reinsurance policies as of the effective date of the Agreement. Acadian represented and warranted that each of the reinsured policies was in force as of the effective date (including policies which may be lapsed subject to the right of reinstatement, policies not lapsed but in arrears, and policies in force and in effect as paid up and extended term policies) with premiums paid and its face amount, insured, and all other characteristics accurately reflected. Security National Life accepted liability for all the risks under the reinsured policies on eligible lives for all benefits occurring on or after the effective date of the agreement. The liability of Security National Life began as of September 30, 2002.

The Coinsurance Agreement also provides that Security National Life reserves the right to assume all right, title and interest to the reinsured policies, as well as other similar policies written by Acadian under similar terms and conditions in the state of Mississippi from September 30, 2002, through termination of the Coinsurance Agreement, with an assumption agreement, at any time but in any event not later than nine months subsequent to December 16, 2002, subject to all regulatory approvals as required by law. In the event Acadian shall come under any supervision by a state regulator or in the event Acadian shall apply for or consent in the appointment of, or the taking of possession by, a receiver, custodian, regulator, trustee or liquidator of itself or of all or a substantial part of its assets, make a general assignment for the benefit of its creditors, commence a voluntary case under the Federal Bankruptcy Code, file a petition seeking to take advantage of any other law relating to bankruptcy, insolvency, reorganization or winding up, Security National Life and Acadian shall be deemed to have converted the Coinsurance Agreement to an assumption agreement one day prior to such insolvency or other actions and Security National Life shall be deemed to have assumed the reinsurance policies as of one day prior to the date thereof.

The Coinsurance Agreement further provides that Acadian is required to pay Security National Life an initial coinsurance premium in cash or assets acceptable to Security National Life in an amount equal to the full coinsurance reserves, including the Incurred But Not Reported (IBNR) reserve as of the effective date. The ceding commission to be paid by Security National Life to Acadian for the reinsured policies is to be the recapture amount to be paid by Acadian to Scottish Re (U.S.), Inc., which is $10,254,083 pursuant to the Automatic Coinsurance Agreement dated June 1, 2001, between Acadian and Scottish Re (U.S.), Inc. The coinsurance premiums payable by Acadian to Security National Life are to be equal to all of the premiums collected by Acadian on the reinsurance policies subsequent to December 31, 2002.

Security National Life also entered into an Assumption Agreement effective January 1, 2003, with Acadian, in which Security National Life agreed to assume all of the liabilities related to the reinsurance policies. Under the terms of the Assumption Agreement, Acadian agreed to cede to Security National Life, and Security National Life agreed to assume, reinsure and guaranty all of the insurance risks and contractual obligations of Acadian relating to the GNLIC Reinsured Business, including the reinsured policies. Security National Life agreed to pay all legal liabilities and obligations, including claims and commissions, of Acadian with respect to the GNLIC Reinsured Business arising on or after January 1, 2003, in accordance with the terms and conditions of the reinsured policies. In addition, Security National Life agreed to assume and carry out the obligations of Acadian contained in the reinsured policies.

The Assumption Agreement also requires Security National Life to issue a certificate of assumption for each policy in force included in the GNLIC Reinsured Business, reinsuring such policies according to the terms thereof, provided that Security National Life may be subrogated to and substituted for all rights, privileges and interests accruing under such policies, and provided further that all obligations and liabilities assumed by Security National Life are assumed subject to the terms, limitations and conditions of the insurance policies included in the GNLIC Reinsured Business and all defenses, counterclaims and off-sets that are or might thereafter become available to Security National Life.

Under the Assumption Agreement Security National Life agreed to assume only those insurance risks in contractual obligations included within the GNLIC Reinsured Business of Acadian. Security National Life did not agree to assume any extra contractual or other liability or obligations of Acadian. In addition, Security National Life did not agree to assume any policy issued to an insured whose death occurred prior to January 1, 2003, and for which a death claim had been received by Acadian prior to that date. However, Security National Life did agree to assume any valid claim of an insured whose death occurred prior to January 1, 2003, and for which a death claim was not received by Acadian prior to that date.

The Assumption Agreement also provides that as of January 1, 2003, Acadian agreed to transfer and assign to Security National Life all of its right, title and interest in the reinsured policies, including policies which may be lapsed subject to the right of reinstatement and policies in force and in effect as paid up and extended term policies. Acadian agreed to turn over to Security National Life, as of January 1, 2003, all policy owner service, underwriting and other files on hand that may be needed by Security National Life in the continuation of the GNLIC Reinsured Business, and Acadian further agreed to turn over all such records and record books as may be necessary for carrying on the GNLIC Reinsured Business, including all such permanent records of Acadian necessary for Security National Life to continue in force in effect the reinsured policies.

On December 23, 2002, Security National Life also entered into an Asset Purchase Agreement with Acadian, in which Acadian agreed to transfer and convey to Security National Life, and Security National Life agreed to purchase from Acadian, all of Acadian's right, title and interest in and to the certain assets of Acadian. The assets included the following: (i) computer hardware; (ii) licensed software from International Business Machines, Inc. ("IBM") for certain software utilized in the maintenance of Acadian's general ledger accounting records, for use on Acadian's AS400 computer; (iii) owned software developed by employees or contractors of Acadian or Gulf National Life Insurance Company and utilized by Acadian in accounting for premiums received, reserve computations, and for other purposes; (iv) certain furniture and equipment; (v) the use of the name 'Gulf National Life Insurance Company' alone or as part of any other tradename, as well as the logo "GNL"; (vi) the sublease of certain real property located at 6522 Dogwood View Parkway in Jackson, Mississippi; and (vii) the assignment and assumption of certain agreements and arrangements. Following the closing of the asset purchase transaction with Acadian, Security National Life intends to continue to operate the business it acquired from Acadian in the state of Mississippi.

ITEM 7. Financial Statements

(a) The following financial statements of Gulf National Life Insurance Company are included herein:

Independent Auditor's Report

Balance Sheets as of December 31, 2001 and 2000

Statements of Operations for the years ended December 31, 2001, 2000 and 1999

Statements of Stockholders' Equity for the years ended December 31, 2001, 2000 and 1999

Statements of Cash Flow for the years ended December 31, 2001, 2000 and 1999 Notes to Financial Statements

Condensed Balance Sheet as of September 30, 2002 (unaudited)

Condensed Statements of Operations for the nine months ended September 30, 2002 and 2001 (unaudited)

Condensed Statements of Stockholders' Equity for the nine months ended September 30, 2002 (unaudited)

Condensed Statements of Cash Flows for the nine months ended September 30, 2002 and 2001 (unaudited)

Notes to Condensed Interim Financial Statements (unaudited)

(b) The following pro forma statements of Security National Financial Corporation are included herein:

Pro Forma Condensed Consolidated Balance Sheet as of September 30, 2002 (unaudited)

Pro Forma Condensed Consolidated Statement of Income for the nine months ended September 30, 2002 (unaudited)

Pro Forma Condensed Consolidated Statement of Income for the year ended December 31, 2001 (unaudited)

Notes to Pro Forma Condensed Consolidated Financial Statements (unaudited)

(c) Exhibits *

10.1 Coinsurance Agreement between Security National Life and Acadian.

10.2 Assumption Agreement among Acadian, Acadian Financial Group, Inc., Security National Life and the Company.

10.3 Asset Purchase Agreement among Acadian, Acadian Financial Group, Inc., Security National Life and the Company.

* Incorporated by reference from Report on Form 8-K/A, as filed on January 8, 2003.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

SECURITY NATIONAL FINANCIAL CORPORATION
(Registrant)

Date: March 7, 2003

By: /s/ Scott M. Quist

Scott M. Quist, President

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors
Gulf National Life Insurance Company

We have audited the accompanying balance sheets of Gulf National Life Insurance Company as of December 31, 2001 and 2000, and the related statements of operations, stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2001. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion the financial statements referred to above present fairly, in all material respects, the financial position of Gulf National Life Insurance Company as of December 31, 2001 and 2000, and the results of their operations and their cash flows for each of the years in the three year period ended December 31, 2001 in conformity with accounting principles generally accepted in the United States of America.

February 15, 2002 except as to
Note 14, which is as of February 28, 2003

GULF NATIONAL LIFE INSURANCE COMPANY

BALANCE SHEETS

ASSETS

	December 31, 2001	December 31, 2000
INVESTMENTS:		
Certificates of deposit	$ --	$6,080,557
Mortgage loans	--	4,395,454
Common and preferred stock	--	2,014,135
Fixed income	--	61,653,447
Collateral loans	--	480,736
Policy loans	78,593	128,406
Assets ceded under reinsurance treaty- Acadian Life Insurance Company	66,892,970	--
Real estate held for sale or lease, at cost less accumulated depreciation of $133,371 at December 31, 2000	--	469,206
	66,971,563	75,221,941
CASH AND CASH EQUIVALENTS	--	3,656,556
RECEIVABLES:		
Premiums due and deferred	100,077	264,297
Other receivables	--	93,303
Accrued investment income	--	996,202
Receivables from affiliates	--	5,371
	100,077	1,359,173
PREPAID EXPENSES	--	598,656
PROPERTY AND IMPROVEMENTS:		
Furniture, office equipment and automobile	--	53,512
Less accumulated depreciation	--	43,459
	--	10,053
DEFERRED POLICY ACQUISITION COSTS	6,624,506	6,576,653
	$73,696,146	$87,423,032

The accompanying notes are an integral part of these financial statements.

GULF NATIONAL LIFE INSURANCE COMPANY
BALANCE SHEETS

LIABILITIES AND STOCKHOLDERS' EQUITY

	December 31, 2001	December 31, 2000
POLCY BENEFIT RESERVES		
Life insurance	$71,549,754	$70,867,396
Supplementary contracts	821,111	736,962
	72,370,865	71,604,358
OTHER LIABILITIES		
Policy claims	566,344	551,378
Premiums received in advance	652,215	672,937
Policyholder dividends accrued	106,722	145,507
Accrued expenses and other liabilities	--	432,589
Intercompany	--	401
	1,325,281	1,802,812
DEFERRED INCOME TAXES	--	85,600
	73,696,146	73,492,770
STOCKHOLDERS' EQUITY		
Common stock, $1 par value, 5,000,000 shares authorized 400,000 shares issued and outstanding	--	400,000
Additional paid-in capital	--	3,739,082
Unrealized gain (loss) on investments	--	(29,186)
Retained earnings	--	9,820,366
	--	13,930,262
	$73,696,146	$87,423,032

The accompanying notes are an integral part of these financial statements.

GULF NATIONAL LIFE INSURANCE COMPANY

STATEMENTS OF OPERATIONS

	Years Ended December 31, 2001	2000	1999
PREMIUMS EARNED	$9,195,699	$9,934,777	$12,639,295
PREMIUMS CEDED UNDER REINSURANCE TREATY	(5,097,423)	--	--
NET PREMIUMS EARNED	4,098,276	9,934,777	12,639,295
INVESTMENT INCOME	1,922,566	4,604,210	4,115,073
GAIN (LOSS) ON SALE OF ASSETS	(88,686)	47,678	(7,138)
MISCELLANEOUS INCOME	37,503	57,651	94,665
	5,969,659	14,644,316	16,841,895
BENEFITS AND EXPENSES:			
Increase in policy benefit reserves	1,152,861	1,158,452	2,768,176
Benefits, claims and losses	7,283,663	6,839,402	6,756,829
Policy acquisition costs, net	2,246,998	2,795,265	2,960,409
General and administrative expenses	2,656,351	3,480,866	3,532,344
Charitable donations	--	36,056	51,598
Interest expense	--	18,801	--
Depreciation and amortization	1,667	76,605	5,709
	13,341,540	14,405,447	16,075,065
BENEFITS AND EXPENSES CEDED UNDER REINSURANCE TREATY	(6,888,252)	--	--
	6,453,288	14,405,447	16,075,065
INCOME (LOSS) BEFORE TAXES	(483,629)	238,869	766,830
PROVISION (BENEFIT) FOR INCOME TAXES	(95,000)	81,331	168,714
NET INCOME (LOSS)	$(388,629)	$157,538	$598,116

The accompanying notes are an integral part of these financial statements.

GULF NATIONAL LIFE INSURANCE COMPANY
STATEMENTS OF STOCKHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2001, 2000 AND 1999

	Common Stock	Additional Paid-in Capital	Unrealized Gain Loss on Investments	Retained Earnings	Total
BALANCE, January 1, 1999	$400,000	$3,738,082	$(189,304)	$9,803,510	$13,753,288
Comprehensive Income:					
Change in unrealized gain (loss) on investments	--	--	169,668	--	169,668
Net income	--	--	--	598,116	598,116
Total comprehensive income	--	--	169,668	598,116	767,784
Cash dividends to common stockholders	--	--	--	(520,798)	(520,798)
BALANCE, December 31, 1999	$400,000	$3,739,082	$(19,636)	$9,880,828	$14,000,274
Comprehensive Income:					
Change in unrealized gain (loss) on investments	$ --	$ --	$(9,550)	$ --	$(9,550)
Net income	--	--	--	157,538	157,538
Total comprehensive income	--	--	(9,550)	157,538	147,988
Cash dividends to common stockholders	--	--	--	(218,000)	(218,000)
BALANCE, December 31, 2000	$400,000	$3,739,082	$(29,186)	$9,820,366	$13,930,262
Comprehensive Income:					
Change in unrealized gain (loss) on investments	$ --	$ --	$29,186	$ --	$29,186
Net income	--	--	--	(388,629)	(388,629)
Total comprehensive income	--	--	29,186	(388,629)	(359,443)
Cash dividends to common stockholders	--	--	--	(461,000)	(461,000)
Net assets distributed to parent	(400,000)	(3,739,082)	--	(8,970,737)	(13,109,819)
BALANCE, December 31, 2001	$ --	$ --	$ --	$ --	$ --

The accompanying notes are an integral part of these financial statements

GULF NATIONAL LIFE INSURANCE COMPANY

STATEMENTS OF CASH FLOWS

	Years Ended December 31, 2001	2000	1999
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS:			
Cash flows from operating activities:			
Cash received from premiums and reinsurance treaties, net of premiums ceded	$4,098,276	$9,777,074	$12,651,591
Cash paid for benefits and expenses, net of benefits and expenses ceded	(5,590,899)	(12,652,802)	(12,821,084)
Investment and miscellaneous income received	1,959,056	4,547,546	4,316,093
Interest paid	(27,232)	(18,801)	--
Income taxes paid	(177,331)	(69,004)	--
Net cash provided (used) by operating activities	261,870	1,584,013	4,146,600
Cash flows from investing activities:			
Proceeds from sales of investments	18,978,529	7,743,527	31,427,606
Purchases of investments	(15,995,600)	(11,652,181)	(37,479,492)
Capital expenditures	--	--	(7,480)
Net cash provided (used) by investing activities	2,982,929	(3,908,654)	(6,059,366)
Cash flows from financing activities:			
Dividends paid to stockholders	(461,000)	(218,000)	(520,798)
Distributions to parent	(6,422,900)	--	--
Increase (decrease) in receivables/ payables from affiliated entities, net	(17,455)	129,600	(43,794)
Net cash used by financing activities	(6,901,355)	(88,400)	(564,592)
NET DECREASE IN CASH AND CASH EQUIVALENTS	(3,656,556)	(2,413,041)	(2,477,358)
CASH AND CASH EQUIVALENTS, beginning of year	3,656,556	6,069,597	8,546,955
CASH AND CASH EQUIVALENTS, end of year	$ --	$3,656,556	$6,069,597

The accompanying notes are an integral part of these financial statements.

GULF NATIONAL LIFE INSURANCE COMPANY
STATEMENTS OF CASH FLOWS - (Continued)

	Years Ended December 31, 2001	2000	1999
RECONCILIATION OF NET INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES:			
Net income (loss)	$(388,629)	$157,538	$598,116
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation and amortization	1,667	76,605	5,709
(Gain) loss on sale of assets	88,686	(47,678)	7,138
Deferred income taxes	--	19,300	113,300
(Increase) decrease in:			
Receivables and other assets	257,351	(231,184)	99,213
Deferred policy acquisition costs	(19,939)	306,041	444,950
Increase (decrease) in:			
Policy benefit reserves	480,358	1,158,452	2,768,176
Accrued expenses and other liabilities	(157,624)	144,939	109,998
Net cash provided by operating activities	$261,870	$1,584,013	$4,146,600
SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES			
Asset distributions to parent	$6,686,919	--	--

The accompanying notes are an integral part of these financial statements.

GULF NATIONAL LIFE INSURANCE COMPANY
NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2001, 2000 AND 1999

Note 1- Summary of Significant Accounting Policies

Nature of Business

Gulf National Life Insurance Company (GNLIC or the Company), formerly named Selected Funeral Insurance Company (SFIC), was owned 100% by Gulf Holdings, Inc. (GHI), an insurance holding company domiciled in the State of Mississippi. GHI was an 87% owned subsidiary of The Gulf Group, Inc., an insurance holding company domiciled in the State of Mississippi. GNLIC wrote funeral insurance policies throughout the State of Mississippi. Effective June 1, 2001, the Mississippi Insurance Department approved an Assumption Reinsurance Treaty in which Acadian Life Insurance Company (Acadian), domiciled in the State of Louisiana, assumed all (100%) of the inforce funeral insurance business of GNLIC. Subsequent to this date but during 2001, GNLIC surrendered its Mississippi license to write insurance, ceased operations and distributed its net assets to its parent company in a corporate reorganization. (See Note 14).

Method of Accounting

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles in the United States of America (GAAP).

Cash and Cash Equivalents

For purposes of the statements of cash flows, the Company considers cash, money markets, and investments with original maturities of three months or less to be cash and cash equivalents. All other investment securities are classified as investments.

Recognition of Premium Revenue

The Company was primarily in the funeral insurance business through May 31, 2001. Benefits and expenses associated with premium revenue are recognized over the lives of the contracts through changes in policy reserves and deferred policy acquisitions costs, which are established as policies are placed in force.

During 2001, 2000, and 1999, the Company earned the following premiums:

	2001	2000	1999
Life	$9,195,699	$9,934,777	$12,639,295

Deferred Policy Acquisition Costs

The costs of acquiring new business (net of the costs ceded to reinsurers), principally commissions and other direct expenses of issuing new policies, have been deferred. These deferred policy acquisition costs were being amortized in proportion to the ratio of annual premium revenue to the total premium revenue over the life of the policy. The Company considers the impact of product profitability in determining the recoverability of the deferred policy acquisition costs.

Real Estate Held for Sale or Lease

Real estate held for sale or lease was stated at cost less accumulated depreciation. Real estate acquired in settlement for loans is recorded at the lower of fair market value or loan balance at acquisition. Additional valuation adjustments to real estate were made when the carrying value exceeded fair market value.

Policy Benefit Reserves

The aggregate reserve for funeral insurance policies has been actuarially determined using primarily the net level premium method based on estimated future investment yield, mortality and withdrawals. Estimated mortality has been established using the 1961 CSI mortality tables and 1965-1970 SOA mortality tables with appropriate modification. Investment yields have been estimated at 6% for three years and 5% thereafter. Withdrawals are estimated based upon the Company's previous experience. The increase in policy benefit reserves is as follows:

	2001	2000	1999
In force policies at beginning of year or issued during the year	$1,152,861	$1,158,452	$2,768,176

Policy Claims

Policy claims represent the estimated liabilities on claims reported plus provision for claims incurred but not yet reported. The liabilities of unpaid claims are determined using both evaluations of each claim and statistical analysis and represent the estimated ultimate cost of all claims incurred through the end of the year.

Reinsurance Ceded

Reinsurance premiums ceded, ceding commissions and reinsurance recoveries on losses incurred are deducted from the respective income and expense accounts. For reinsurance with companies other than Acadian, related ceded deferred acquisition costs and policy liabilities are deducted from the asset and liability accounts. For reinsurance with Acadian, such amounts are reflected at gross.

Investment Securities

Management determined the appropriate classification of securities at the time of purchase. All equity securities were classified as available-for-sale and were carried at market value as of December 31, 2000. The Company had the intent and the ability at the time of purchase to hold all debt securities until maturity. Therefore, they were classified as investments held-to-maturity and carried at amortized cost as of that date.

Realized gains and losses on dispositions were based on the net proceeds and the adjusted book value of the securities sold, using the specific identification method. Unrealized gains and losses on investment securities available for sale were based on the difference between book value and fair value of each security. These gains and losses are credited or charged to stockholders' equity, whereas realized gains and losses were recognized in the Company's operations.

Income Taxes

Deferred tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date.

Use of Estimates

In preparing the Company's financial statements, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Impairment of Long-Lived Assets

The Company reviews its long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable through undiscounted future cash flows. If it is determined that an impairment loss has occurred based on expected cash flows, such loss is recognized in the statement of operations.

Reclassification

Certain prior year amounts have been reclassified to conform to the current year presentation.

NOTE 2- INVESTMENTS IN SECURITIES

At December 31, 2000, the Company classified investments with a cost of $2,060,721 and market value of $2,014,135 as available-for-sale securities. This classification resulted in net unrealized losses of $46,586 that are reported as a separate component of stockholders' equity at $29,186, which is net of deferred income taxes of $17,400.

The balance of the Company's securities was classified as investment securities to be held-to-maturity.

The amortized cost and approximate market value of securities available-for-sale at December 31, 2000 were:

	Cost	Unrealized Gains	Unrealized Losses	Market Value
Equity Securities	$2,060,721	$149,288	$195,874	$2,014,135

The carrying amounts and approximate market value of investment securities to be held-to-maturity at December 31, 2000 were:

	Amortized Cost	Unrealized Gains	Unrealized Losses	Market Value
Certificates of deposit	$ 6,080,557	$ --	$ --	$ 6,080,557
Public utilities	1,255,892	16,185	85,824	1,186,253
U.S. Government securities	28,207,685	634,608	125,709	28,716,584
State and Municipal securities	12,179,467	213,586	24,183	12,368,870
Corporate Debt securities	13,243,627	300,534	57,539	13,486,622
Mortgage-backed securities	6,766,776	127,507	38,663	6,855,620
Total	$67,734,004	$1,292,420	$331,918	$68,694,506

The maturities of investment securities and their approximate market value at December 31, 2000, were as follows:

	Amortized Cost	Market Value
Due in one year or less	$ 8,881,858	$ 8,885,012
Due after one year through five years	29,138,536	29,395,394
Due after five years through ten years	15,404,280	15,835,075
Due after ten years	6,415,489	6,631,934
Due after twenty years	1,127,065	1,091,471
Mortgage-backed securities	6,766,776	6,855,620
Total	$67,734,004	$68,694,506

There were no sales of available-for-sale securities during 2001. During 2000, gross gains and gross losses included in results of operations resulting from sales of available for sale securities were $112,652 and $1,551, respectively, with sales proceeds of $690,677. During 1999, gross gains and gross losses included in results of operations resulting from sales of available-for-sale securities were $698,657 and $1,298,637, respectively, with sales proceeds of $12,598,742. During 2001, 2000 and 1999, amortized cost and gross realized gains and losses on sales of investment securities classified as held-to-maturity were:

	2001	2000	1999
Amortized cost	$19,067,215	$7,116,273	$18,236,022
Gross realized losses	$ 289,982	$ 112,429	$ 133,305
Gross realized gains	$ 201,296	$ 49,006	$ 726,147

NOTE 3- MORTGAGE LOANS

Mortgage loans purchased for investment were recorded at cost, with the related premium or discount being amortized to income using the effective interest method.

Mortgage loans were comprised of first lien owner occupied properties and commercial land loans. The assets securing these mortgages are generally located throughout Mississippi and Louisiana.

Included in mortgage loans were certain loans and loan participations with officers, directors, and affiliates. In management's opinion, the terms of these loans were comparable to terms, which would have been given to unrelated entities. At December 31 2000, the balances of these loans were $308,976, with interest rates ranging from 6.00% to 8.25%.

NOTE 4- COLLATERAL LOANS

Loans secured by stock, mortgages on real estate and assets other than real estate were classified as collateral loans and were carried at the lower of cost or fair market value.

NOTE 5- INVESTMENT IN REAL ESTATE

Real estate investments are valued at the lower of cost or fair market value. Cost is determined by purchase price if purchased, market value if contributed, or loan value (not to exceed market value) if acquired by foreclosure. The Company owns the following real estate:

	December 31, 2000
Friar House	
611 Jackson Avenue	
Ocean Springs, MS	$602,577
Less: Accumulated depreciation	133,371
	$469,206

NOTE 6-DEFERRED POLICY ACQUISITION COSTS

The costs of writing an insurance policy, including agents' commissions and other direct expenses of issuing new policies are called policy acquisition costs. These costs are incurred when a policy is issued, but they are deferred and capitalized as an asset. The Company's method of calculating deferred policy acquisition costs for long duration contracts was the factor method.

NOTE 7-REINSURANCE

At December 31, 2001, the reserves for coverage and premiums in force are stated gross of the deduction for reinsurance with Acadian but net of the deduction for reinsurance with other companies. At December 31, 2000, the reserves for coverage and premiums in force are stated net of the deduction for reinsurance with other companies. A contingent liability exists with respect to reinsurance, which could become a liability of the Company in the event that such reinsurance companies are unable to meet their obligation under the existing reinsurance agreements. As of December 31, 2001 and 2000, the Company had funeral insurance coverage in force of approximately $330,309,000 and $324,509,000, respectively.

NOTE 8- PROVISION FOR INCOME TAXES

The provision (benefit) for income taxes was comprised of the following:

	Federal	State	Total
2001:			
Current	$ (95,000)	$ --	$(95,000)
Deferred	--	--	--
	$(95,000)	$ --	$(95,000)
2000:			
Current	$137,031	$(75,000)	$ 62,031
Deferred	16,712	2,588	19,300
	$153,743	$(72,412)	$ 81,331
1999:			
Current	$96,414	$(41,000)	$55,414
Deferred	98,112	15,188	113,300
	$194,526	$(25,812)	$168,714

The provision (benefit) for income taxes of $(95,000) for 2001 (effective rate of 19.6%, $81,331 for 2000 (effective rate of 34.1%) and $168,714 for 1999 (effective rate of 22.0%) differs from the expected amounts, computed by applying the U.S. Federal corporate rate of 34% to pretax earnings, as follows:

	2001	2000	1999
Computed expected tax provision (benefit)	$(164,434)	$ 81,215	$ 260,722
Increases (decreases) resulting from:			
State income taxes (net of Federal income tax benefit	--	(47,792)	(17,036)
Small life insurance company Federal deduction	137,362	(101,109)	(40,282)
Nontaxable investment income	(66,709)	(233,057)	(197,656)
Nondeductible expenses	2,767	32,204	27,487
Adjustments made by taxing authority	--	248,709	--
Prior year underaccrual of Federal tax	--	93,915	134,522
Other, net	(3,986)	7,246	957
	$ (95,000)	$ 81,331	$ 168,714

NOTE 8- PROVISION FOR INCOME TAXES (Continued)

The tax effects of temporary differences that give rise to deferred tax assets and deferred tax liabilities at December 31, 2000 are presented below:

Deferred tax assets:	
AMT credit carry forward	$ 189,000
Policy reserves	981,000
Unrealized loss on investments	17,400
	1,187,400
Deferred tax liabilities:	
Deferred policy acquisition costs	1,273,000
Net deferred tax liability	$ (85,600)

The deferred tax assets and liabilities listed above were distributed to the Company's parent in 2001.

The Tax Reform Act of 1984 (1984 Act) revised the laws affecting taxation of life insurance companies. Special provisions of the 1984 Act include changes in the methods used to compute life insurance reserves and special deductions for life insurance companies. The difference in life insurance reserves at January 1, 1984, as computed under the 1984 Act and as computed under prior law, referred to in the 1984 Act as "the fresh start adjustment", is not required to be included in taxable income until distributed to the stockholders. At December 31, 2000, the Company had aggregate undistributed earnings of approximately $200,000 associated with the fresh start adjustment for which no deferred income taxes were provided.

The Internal Revenue Service (IRS) and State of Mississippi (State) have examined the corporate income tax returns of the Company for the year ended December 31, 1996, and both taxing authorities have made additional income tax assessments for 1996. The IRS and state did not agree with the income tax reporting position the Company took with respect to a portion of the proceeds received in settlement of litigation involving the Company. The Company did not agree with these additional tax assessments and actively contested such assessments. In November 2000, the Company settled those issues with the IRS for the year ended December 31, 1996 in the amount of $76,132 including interest. In March 2001, the Company settled with the State of Mississippi for $84,563, including interest.

NOTE 9- COMMITMENTS AND CONTINGENCIES

The Company leases office space under a non-cancelable annual operating lease. Rental payments under noncancelable operating leases for the years ended December 31, 2001 2000 and 1999 were approximately $82,000, 138,000 and $144,000, respectively.

The Company has committed no reserves to cover any contingent liabilities.

In the ordinary course of business, the Company and its management have been named the defendants in certain lawsuits that are pending. In the opinion of management, based on advice from legal counsel, the ultimate outcome of the suits pending will not have a material adverse effect on the financial position of the Company.

NOTE 10- TRANSACTIONS WITH AFFILIATES

The Company had various transactions with affiliated entities. The following is a summary of income and expenses with these parties for the year ended December 31:

	Company	Relationship	2001	2000	1999
Income:					
Interest Income	The Gulf Group, Inc.	Affiliate	$ --	$ --	$217,606
Management fees	Various	Various	$ 32,750	$ 90,600	$ 90,606
Rental Income	Various	Various	$ --	$ 72,116	$ 66,000
Expenses:					
Rent	Various	Various	$ 75,845	$217,453	$222,575
Management fees	Various	Parent	$ 217,750	$444,000	$374,000

The Company and affiliated entities shared common management, accounting personnel, and computer equipment and office space. Management of the Company and its affiliates have systematically allocated these common expenses.

NOTE 11- RETIREMENT PLAN

The Company provided for retirement benefits for its employees through a qualified 401(k) plan. The Company matches 25% of each employee's annual contributions subject to a maximum matching 12% of the contributing employee's salary. The Company contributed $17,775 and $16,350 in matching funds in 2000 and 1999, respectively. In addition, the Company made contributions of $35,628 and $36,681 in 2000 and 1999, respectively, which were allocated to employees on a pro rata basis based on their annual compensation. These amounts were classified in general and administrative expenses in the accompanying statements of operations.

NOTE 12- CONCENTRATION OF CREDIT

The Company sold its funeral insurance products to individuals residing in the State of Mississippi. The Company performed ongoing credit evaluations and generally did not require collateral on accounts receivable. The Company reviewed the collectibility of its accounts receivable for potential losses, which, historically, have been minimal.

The Company maintained its cash accounts primarily with banks. The total cash balances were insured by the FDIC up to $100,000 per bank. The Company had cash balances on deposit that exceeded the balance insured by the FDIC at December 31, 2000.

NOTE 13-INVESTMENT AGENCY AGREEMENTS

In connection with the issuance in 1989 and 1990 of group life insurance policies to certain funeral home trust accounts, the Company entered into investment agency agreements with various financial institutions that were acting as trustees of the funeral home trusts. The trusts directed the trustees to invest the trust funds in life insurance policies on the lives of the individuals who had delivered cash to the funeral home trusts to pre-pay their funeral expenses. The investment agency agreements provide that the Company will maintain investment balances with the financial institutions in an amount equal to the amount of premiums received and dividends paid on the insurance policies issued by the Company to the trustee for the benefit of the various individuals who had delivered funds to the funeral home trusts. The investment agency agreements also provide that in the event the Company was placed in the liquidation, the financial institutions would deliver the funds in the investment accounts as directed by the order of a court of competent jurisdiction. Either party upon thirty days written notice may terminate these agreements.

In connection with the issuance in 1998 and 1999 of group life insurance policies to certain funeral home trusts, the Company entered into an agency agreement with the funeral home and agreed, for a period of five years, to invest the premium payments received from the trusts with a financial institution selected by the funeral home trusts. The Company agreed that during this period, it would withdraw from these funds only amounts equal to the claims paid by the Company on the policies issued to the trusts. Income earned on the investments is not subject to any withdrawal limitations. Either party upon thirty days written notice may terminate these agreements.

The investment agency agreements discussed above, as well as the funeral home trust cash accounts, were ceded to Acadian in the Assumption Reinsurance Treaty as of June 1, 2001.

NOTE 14 - FINANCIAL STATEMENT PRESENTATION

As a result of the Assumption Reinsurance Treaty between GNLIC and Acadian (See Note 1), the accompanying financial statements include the funeral insurance activity from operations of GNLIC for the period January 1, 2001 through May 31, 2001. The accompanying financial statements also include the results of funeral insurance activity from operations for the premiums earned and the benefits and expenses ceded under the Assumption Reinsurance Treaty with Acadian, for the period June 1, 2001 through December 31, 2001. The accompanying balance sheet at December 31, 2001 presents the assets and policyholder obligations ceded to Acadian under the Assumption Reinsurance Treaty.

GULF NATIONAL LIFE INSURANCE COMPANY

CONDENSED BALANCE SHEET (UNAUDITED)
September 30, 2002

ASSETS

INVESTMENTS:	
Policy loans	$ 76,912
Assets ceded under reinsurance	
Treaty - Security National Insurance Company	67,422,824
	67,499,736
CASH AND CASH EQUIVALENTS	--
RECEIVABLES:	
Premiums due and deferred	104,352
DEFERRED POLICY ACQUISITION COSTS	6,190,975
Total assets	$73,795,063

The accompanying notes are an integral part of these financial statements.

GULF NATIONAL LIFE INSURANCE COMPANY

CONDENSED BALANCE SHEET (Unaudited)

SEPTEMBER 30, 2002

LIABILITIES AND STOCKHOLDERS' EQUITY

POLICY BENEFIT RESERVES:	
Life Insurance	$71,669,830
Supplementary Contracts	813,376
	72,483,206
OTHER LIABILITIES	
Policy claims	558,853
Premiums received in advance	674,704
Policyholder dividends accrued	78,300
	1,311,857
	--
STOCKHOLDERS' EQUITY	--
	$73,795,063

The accompanying notes are an integral part of these financial statements.

GULF NATIONAL LIFE INSURANCE COMPANY
CONDENSED STATEMENTS OF OPERATIONS (Unaudited)

	Nine Months Ended September 30, 2002	Nine Months Ended September 30, 2001
PREMIUMS EARNED	$6,712,943	$7,559,570
PREMIUMS CEDED UNDER REINSURANCE TREATY	(6,712,943)	(3,461,294)
NET PREMIUMS EARNED	--	4,098,276
INVESTMENT INCOME	--	1,922,566
GAIN (LOSS) ON SALE OF ASSETS	--	(88,686)
MISCELLANEOUS INCOME	--	37,503
	--	5,969,659
BENEFITS AND EXPENSES:		
Increase in policy benefit reserves	112,341	1,334,017
Benefits, claims and losses	5,319,249	5,763,716
Policy acquisition costs, net	2,186,090	1,411,195
General and administrative expenses	1,401,375	2,157,594
	9,019,055	10,666,522
BENEFITS AND EXPENSES CEDED UNDER REINSURANCE TREATY	(9,019,055)	(4,213,234)
	--	6,453,288
INCOME (LOSS) BEFORE TAXES	--	(483,629)
PROVISION (BENEFIT) FOR INCOME TAXES	--	(95,000)
NET INCOME (LOSS)	$ --	$(388,629)

The accompanying notes are an integral part of these financial statements.

GULF NATIONAL LIFE INSURANCE COMPANY

CONDENSED STATEMENTS OF STOCKHOLDERS' EQUITY (UNAUDITED)
NINE MONTHS ENDED SEPTEMBER 30, 2002

	Total Stockholders' Equity
BALANCE, December 31, 2001	$ --
BALANCE, September 30, 2002	$ --

The accompanying notes are an integral part of these financial statements

GULF NATIONAL LIFE INSURANCE COMPANY

CONDENSED STATEMENTS OF CASH FLOWS (UNAUDITED)

	Nine Months Ended September 30, 2002	Nine Months Ended September 30, 2001
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS:		
Cash flows from operating activities:		
Cash received from premiums and reinsurance treaties	$6,731,156	$4,098,276
Premiums ceded	(6,731,156)	--
Cash paid for benefits and expenses	(8,942,627)	(5,590,899)
Benefits and expenses ceded	8,942,627	--
Investment and miscellaneous income received	--	1,959,056
Interest paid	--	(27,232)
Income taxes paid	--	(177,331)
Net cash provided by operating activities	--	261,870
Cash flows from investing activities:		
Proceeds from sales of investments	--	18,978,529
Purchases of investments	--	(15,995,600)
Net cash provided by investing activities	--	2,982,929
Cash flows from financing activities:		
Dividends paid to stockholders	--	(461,000)
Distributions to parent	--	(6,422,900)
Increase (decrease) in receivables/ payables from affiliated entities, net	--	(17,455)
Net cash used by financing activities	--	(6,901,355)
NET DECREASE IN CASH AND CASH EQUIVALENTS	--	(3,656,556)
CASH AND CASH EQUIVALENTS, beginning of year	--	3,656,556
CASH AND CASH EQUIVALENTS, end of year	$ --	$ --

The accompanying notes are an integral part of these financial statements

GULF NATIONAL LIFE INSURANCE COMPANY
CONDENSED STATEMENTS OF CASH FLOWS (UNAUDITED) - Continued

	Nine Months Ended September 30, 2002	2001
RECONCILIATION OF NET INCOME (LOSS) TO NET CASH PROVIDED BY OPERATION ACTIVITIES:		
Net income (loss)	$ --	$(388,629)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	--	1,667
Loss on sale of assets	--	88,686
(Increase) decrease in:		
Receivables and other assets	(532,448)	257,351
Deferred acquisition costs	433,531	(19,939)
Increase (decrease) in:		
Policy benefit reserves	112,341	480,358
Accrued expenses and other liabilities	(13,424)	(157,624)
Net cash provided by operating activities	$ --	$261,870
SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING AND FINANCING ACTIVITIES:		
Asset distributions to parent	$ --	$6.686,919

The accompanying notes are an integral part of these financial statements.

GULF NATIONAL LIFE INSURANCE COMPANY
NOTES TO UNAUDITED CONDENSED INTERIM FINANCIAL STATEMENTS

Note 1) Gulf National Life Insurance Company (GNLIC or the Company), formerly named Selected Funeral Insurance Company (SFIC), was owned 100% by Gulf Holdings, INC. (GHI), an insurance holding company domiciled in the State of Mississippi. GHI was an 87% owned subsidiary of The Gulf Group, Inc., an insurance holding company domiciled in the State of Mississippi. GNLIC wrote funeral insurance business throughout the State of Mississippi. The accompanying unaudited interim financial statements for the Company have been prepared in accordance with generally accepted accounting principles for interim financial information. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. However, these financial statements reflect all adjustment which are, in the opinion of management, necessary to a fair statement of the results for the interim periods presented. The operating results are not indicative of the results which might be expected for a twelve-month period. Footnote disclosures which would substantially duplicate the footnotes included in the 2001 audited financial statements have been omitted. Please refer to the footnotes of the 2001 financial statements included elsewhere herein.

Note 2) Effective June 1, 2001, the Mississippi Insurance Department approved an Assumption Reinsurance Treaty in which Acadian Life Insurance Company (Acadian), domiciled in the State of Louisiana, assumed all (100%) of the inforce business of GNLIC. Subsequent to this date but during 2001, GNLIC surrendered its Mississippi license to write insurance, ceased operations and distributed its net assets to its parent company.

As a result of the Assumption Reinsurance Treaty between GNLIC and Acadian, the accompanying financial statements include the funeral insurance activity from operations of GNLIC for the period January 1, 2001 through May 31, 2001. The accompanying financial statements also include the results of funeral insurance activity from operations for the premiums earned and the benefits and expenses ceded under the Assumption Reinsurance Treaty with Acadian for the period June 1, 2001 through September 30, 2001. The accompanying balance sheet at September 30, 2002 represents the assets and policyholder obligations ceded to Security National Life Insurance Company ("Security National Life") under the Assumption Reinsurance Treaty (See Note 3).

Note 3) On December 23, 2002, Security National Life entered into a Coinsurance and Assumption Agreement with Acadian, wherein Security National Life has assumed 100% of Acadian's industrial and ordinary life policies in force in the State of Mississippi, approximately 275,000 policies. The Coinsurance Agreement is effective as of September 30, 2002 and the Assumption Agreement was effective as of January 1, 2003. The Coinsurance and Assumption Agreements have been approved by the Mississippi Insurance Department and Security National Life was granted its Mississippi license on January 1, 2003.

Note 4) Recent Accounting Pronouncements

In June 2001, the Financial Accounting Standards Board ("FASB") issued Statement of Financial Accounting Standards ("SFAS") No. 142, "Goodwill and Other Intangible Assets". Under SFAS No. 142, amortization of goodwill is precluded, however, its recoverability must be periodically (at least annually) reviewed and tested for impairment. Goodwill must be tested at the reporting unit level for impairment in the year of adoption, including an initial test performed within six months of adoption. If the initial test indicates a potential impairment, then a more detailed analysis to determine the extent of impairment must be completed within twelve months of adoption. SFAS No.-142 also requires that useful lives for intangibles other than goodwill be reassessed and remaining amortization periods be adjusted accordingly. The adoption of SFAS No. 142 did not have a material impact on the Company's financial condition or results of operations.

In August 2001, the FASB issued SFAS No.-144, "Accounting for the Impairment or Disposal of Long-Lived Assets". SFAS No.-144 establishes an accounting model for long-lived assets to be disposed of by sale that applies to all long-lived assets, including discontinued operations. SFAS No. 144 requires that those long-lived assets be measured at the lower of carrying amount or fair value less cost to sell, whether reported in continuing operations or in discontinued operations. The provisions of SFAS No. 144 are effective for financial statements issued for fiscal years beginning after December 15, 2001. Adoption of SFAS No. 144 did not have a material impact on the Company's financial condition or results of operations.

In April 2002, FASB issued SFAS No. 145, "Rescission of FASB Statements No. 4, 44, and 64, Amendment of FASB Statement No. 13, and Technical Corrections". Under historical guidance, all gains and losses resulting from the extinguishment of debt were required to be aggregated and, if material, classified as an extraordinary item, net of related income tax effect. SFAS No. 145 rescinds that guidance and requires that gains and losses from extinguishments of debt be classified as extraordinary items only if they are both unusual and infrequent in occurrence. SFAS No. 145 also amends SFAS No. 13, "Accounting for Leases" for the required accounting treatment of certain lease modifications that have economic effects similar to sale-leaseback transactions. SFAS No. 145 requires that those lease modifications be accounted for in the same manner as sale-leaseback transactions. The provisions of SFAS No. 145 related to SFAS No. 13 are effective for transactions occurring after May 15, 2002. Adoption of the provisions of SFAS No. 145 related to SFAS No. 13 did not have a material impact on the Company's financial condition or results of operations.

In June 2002, the FASB issued SFAS No. 146, "Accounting for Costs Associated with Exit or Disposal Activities", which addresses financial accounting and reporting for costs associated with exit or disposal activities and nullifies EITF Issue No. 94-3, "Liability Recognition for Certain Employee Termination Benefits and Other Costs to Exit an Action (including Certain Costs Incurred in a Restructuring)" ("Issue 94-3"). The principal difference between SFAS No. 146 and Issue 94-3 is that SFAS No. 146 requires that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred, rather than at the date of an entity's commitment to an exit plan. SFAS No. 146 is effective for exit or disposal activities after December 31, 2002. Based upon a preliminary review, adoption of SFAS No. 146 would not have a material impact on the Company's financial condition or results of operations.

In November 2002, the FASB issued Interpretation No. 45, "Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others" ("FIN 45"). FIN 45 requires certain guarantees to be recorded at fair value and also requires a guarantor to make new disclosures, even when the likelihood of making payments under the guarantee is remote. In general, the Interpretation applies to contracts or indemnification agreements that contingently require the guarantor to make payments to the guaranteed party based on changes in an underlying that is related to an asset, liability, or an equity security of the guaranteed party. The recognition provisions of FIN 45 are effective on a prospective basis for guarantees issued or modified after December 31, 2002. The disclosure requirements are effective for financial statements of interim and annual periods ending after December 15, 2002. See disclosures in Note 2(h), "Other Investment and Risk Management Activities - Specific Strategies". Based upon a preliminary review, adoption of SFAS No. 146 would not have a material impact on the Company's financial condition or results of operations.

In December 2002, the FASB issued SFAS No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure and Amendment to FASB No. 123", which provides three optional transition methods for entities that decide to voluntarily adopt the fair value recognition principles of SFAS No. 123, "Accounting for Stock Issued to Employees", and modifies the disclosure requirements of that Statement. Under the prospective method, stock-based compensation expense is recognized for awards granted after the beginning of the fiscal year in which the change is made. The modified prospective method recognizes stock-based compensation expense related to new and unvested awards in the year of change equal to that which would have been recognized had SFAS No. 123 been adopted as of its effective date, fiscal years beginning after December 15, 1994. The retrospective restatement method recognizes stock compensation costs for the year of change and restates financial statements for all prior periods presented as though the fair value recognition provisions of SFAS No. 123 had been adopted as of its effective date. Based on a preliminary review, adoption of SFAS 148 would not have a material effect on the financial condition or results of operations of the Company.

In January 2003, the FASB issued Interpretation 46, "Consolidation of Variable Interest Entities" ("FIN 46"), which requires an enterprise to assess if consolidation of an entity is appropriate based upon its variable economic interests in a variable interest entity (VIE). The initial determination of whether an entity is a VIE shall be made on the date at which an enterprise becomes involved with the entity. A VIE is an entity in which the equity investors do not have the characteristics of a controlling financial interest or do not have sufficient equity at risk for the entity to finance its activities without additional subordinated financial support from other parties. An enterprise shall consolidate a VIE if it has a variable interest that will absorb a majority of the VIE's expected losses if they occur, receive a majority of the entity's expected residual returns if they occur or both. A direct or indirect ability to make decisions that significantly affect the results of the activities of a VIE is a strong indication that an enterprise has one or both of the characteristics that would require consolidation of the VIE.

FIN 46 is effective for new VIE's established subsequent to January 31, 2003 and for existing VIE's as of July 1, 2003. Based upon a preliminary review, the adoption of FIN 46 would not have a material impact on the Company's financial condition or results of operations as there were no material VIE's identified which would require consolidation. FIN 46 further requires the disclosure of certain information related to VIE's in which the Company holds a significant variable interest. The Company does not believe that it owns any such interests that require disclosure at this time.

Item 7 (b) Pro Forma Financial Information

The accompanying unaudited pro forma condensed financial statements give effect to the acquisition of the funeral insurance business of Gulf National Life Insurance Company (Gulf National) assumed from Acadian Life Insurance Company by Security National Life Insurance Company. The adjustments to the pro forma condensed balance sheets assume that the acquisition took place on September 30, 2002, while the adjustments to the pro forma condensed consolidated statements of income assume that the acquisition was consummated on the first day of the year ended December 31, 2001. The pro forma adjustments and the assumptions on which they are based are described in the accompanying notes to pro forma condensed financial statements.

The pro forma information for Security National Financial Corporation was taken from the Form 10-Q and Form 10-K as filed with the Securities and Exchange Commission for the third quarter ended September 30, 2002, and year ended December 31, 2001. The pro forma information for Gulf National is obtained from the financial statements presented elsewhere in this Form 8-K filing. The pro forma condensed financial statements are presented for illustrative purposes only and should be read in conjunction with the financial statements referred to in the two preceding sentences.

The pro forma condensed financial statements are not necessarily indicative of the results that actually would have occurred if the acquisition had been in effect as of and for the period presented or that may be achieved in period subsequent to the acquisition.

SECURITY NATIONAL FINANCIAL CORPORATION AND SUBSIDIARIES

Pro Forma Condensed Consolidated Balance Sheet as of September 30, 2002 (Unaudited) (in thousands)

	Security National Financial Corporation	Gulf National Life Insurance Company	Pro Forma Adjustments		Pro Forma Consolidation
Fixed maturities held to					
maturity at amortized cost	$24,808	$ --	$8,509	(b)	$33,317
Securities available for sale at Market	20,671	--	--		20,671
Mortgage loans	16,536	--	--		16,536
Real estate	9,593	--	--		9,593
Other invested assets	13,328	77	--		13,405
Total investments	84,936	77	8,509		93,522
Cash	20,259	--	66,475	(e)	85,479
	--	--	(1,255)	(a)	--
Receivables, net	57,722	104	45	(h)	57,871
Land and improvements	8,080	--	--		8,080
Deferred acquisition costs and					
cost of insurance acquired	22,569	6,191	(6,191)	(c)	31,351
			8,782	(c)	--
Property, plant and equipment, net	11,056	--	--		11,056
Other assets	15,199	--	--		15,199
Assets ceded under reinsurance treaty-SNLIC	--	67,423	(67,423)	(d)	--
Total assets	$219,821	$73,795	$8,942		$302,558
Policyholder obligations	$142,014	$72,483	$ --		$214,497
Bank loans payable	7,389	--	9,000	(a)	16,389
Notes and contracts payable	3,236	--	--		3,236
Deferred pre-need cemetery and					
funeral contract revenue	9,719	--	--		9,719
Other liabilities	20,799	1,312	500	(f)	22,053
	--	--	(558)	(g)	--
Total liabilities	183,157	73,795	8,942		265,894
Minority interest	4,299	--	--		4,299
Common stock	11,950	--	--		11,950
Paid in capital	10,168	--	--		10,168
Accumulated other comprehensive					
income, net of deferred taxes	1,038	--	--		1,038
Retained earnings	12,533	--	--		12,533
Treasury stock at cost	(3,324)	--	--		(3,324)
Total stockholders' equity	32,365	--	--		32,365
Total liabilities and stockholders' equity	$219,821	$73,795	$8,942		$302,558

See notes to pro forma condensed consolidated financial statements.

SECURITY NATIONAL FINANCIAL CORPORATION AND SUBSIDIARIES
Pro Forma Condensed Consolidated Statement of Income (Unaudited)
For the Nine Months Ended September 20, 2002 (In Thousands)

	Security National Financial Corporation	Gulf National Life Insurance Company	Pro Forma Adjustments		Pro Forma Consolidation
Revenues:					
Premiums	$10,320	$6,713$	--		$17,033
Premiums ceded under reinsurance treaty		(6,713)	6,713	(l)	--
Investment income	8,504	--	(61)	(j)	11,764
			3,321	(i)	--
Realized gains (losses)	746	--	--		746
Mortuary and cemetery income	8,411	--	--		8,411
Mortgage fee income	34,829	--	--		34,829
Other	415	--	--		415
Total revenues	63,225	--	9,973		73,198
Benefit and expenses:					
Death and policy benefits	5,741	5,319	--		11,060
Increase in future policy benefits	3,629	112	--		3,741
Amortization of DPAC	2,334	2,186	(859)	(k)	4,113
			452	(k)	--
General and administrative expenses	45,183	1,402	(277)	(m)	46,308
Interest expense	1,014	--	268	(h)	1,282
Cost of goods and services of mortuaries and cemeteries	1,972	--	--		1,972
Benefits and expenses ceded under reinsurance treaty	--	9,019	9,019	(l)	--
Total benefits and expenses	59,873	--	8,603		68,476
Earnings before income taxes	3,352	--	1,370		4,722
Income taxes	(826)	--	(315)	(n)	(1,141)
Minority interest	18	--	--		18
Net income	$2,544	$ --	$1,055		$3,599

See notes to pro forma condensed consolidated financial statements.

SECURITY NATIONAL FINANCIAL CORPORATION AND SUBSIDIARIES
Pro Forma Condensed Consolidated Statement of Income (Unaudited)
For the Twelve Months Ended December 31, 2001
(In Thousands)

	Security National Financial Corporation	Gulf National Life Insurance Company	Pro Forma Adjustments	Pro Forma Consolidation
Revenues:				
Premiums	$13,151	$ 9,196	$ --	$22,347
Premiums ceded under reinsurance treaty	--	(5,098)	5,098 (i)	--
Investment income	12,947	1,923	(82) (j)	17,371
	--	--	2,583 (i)	--
Realized gains (losses)	10	(89)	--	(79)
Mortuary and cemetery income	10,603	--	--	10,603
Mortgage fee income	40,086	--	--	40,086
Other	152	38	--	190
Total revenues	76,949	5,970	7,599	90,518
Benefit and expenses:				
Death and policy benefits	6,822	7,284	--	14,106
Increase in future policy benefits	4,953	1,153	--	6,106
Amortization of DPAC	3,870	2,247	(391) (k)	6,329
	--	--	603 (k)	--
General and administrative expenses	52,247	2,658	(1,158) (m)	53,747
Interest expense	2,791	--	357 (h)	3,148
Cost of goods and services of mortuaries and cemeteries	2,494	--	--	2,494
Benefits and expense ceded under reinsurance treaty	--	(6,888)	6,888 (l)	--
Total benefits and expenses	73,177	6,454	6,299	85,930
Earnings before income taxes	3,772	(484)	1,300	4,588
Income taxes	(913)	95	(299) (n)	(1,117)
Minority interest	(18)	--	--	(18)
Net income	$ 2,841	$ (389)	$ 1,001	$ 3,453

See notes to pro forma condensed consolidated financial statements

SECURITY NATIONAL FINANCIAL CORPORATION
AND SUBSIDIARIES
Notes to Pro Forma Condensed
Consolidated Financial Statements
(Unaudited)

Note 1. Basis of Presentation

The accompanying unaudited pro forma condensed consolidated financial statements have been prepared in accordance with generally accepted accounting principles for pro forma financial information and with the instructions to Form 8-K and Article II of Regulation S-X. The acquisition will be accounted for as a purchase by Security National. The pro forma adjustments presented are estimates as of the periods presented and do not necessarily reflect the actual amounts that will be booked on the actual purchase date and subsequent adjustments required for an appropriate pro forma presentation have been included.

On December 23, 2002, Security National Insurance Company (Security National Life) entered into a Coinsurance and Assumption Agreement with Acadian Life Insurance Company, wherein Security National Life has assumed 100% of Acadian's funeral insurance policies in force in the State of Mississippi, approximately 275,000 policies. The assets were originally acquired by Acadian from Gulf National Life Insurance Company ("GNLIC") on June 6, 2001, consisting of all of GNIC's insurance policies in force and in effect on June 1, 2001. The Coinsurance Agreement is effective as of September 30, 2002 and the Assumption Agreement was effective as of January 1, 2003. The Coinsurance and Assumption Agreements have been approved by the Mississippi Insurance Department and Security National Life was granted its Mississippi license on January 1, 2003.

Note 2. Pro Forma Adjustments

The following pro forma adjustments are made to the unaudited condensed consolidated balanced sheet as if the acquisition and related transactions occurred September 30, 2002. Reference numbers correspond to those on the statement.

a. To reflect the decrease of $1,254,803 in cash and the borrowing of $9,000,000 to acquire the business of the Company.

b. To reflect the market value of fixed maturities received from Acadian Life.

c. To eliminate the Company's historical deferred policy acquisition costs and establish a new asset representing the value of future profits on the insurance contracts acquired.

d. To eliminate the assets ceded under the reinsurance treaty with Security National Life.

e. To reflect the value of cash received from Acadian.

f. To reflect the accrual of acquisition costs.

g. To eliminate the IBNR which was not ceded until January 1, 2003.

The following pro forma adjustments are made to the unaudited condensed consolidated statements of income as if the Company's acquisition and related transactions occurred at the beginning of the periods presented. Reference numbers correspond to those presented on the statements.

h. To reflect Security National's interest expense on the $9,000,000 borrowed to partially finance the Company acquisition.

i. To reflect the interest earned on assets acquired.

j. To reflect investment income lost on the $1,254,803 cash paid by Security National for acquisition of the Company.

k. To eliminate the Company's amortization of deferred policy acquisition costs and reflect the amortization of the new cost of insurance acquired established by Security National.

l. To eliminate the premiums, benefits and expenses ceded under reinsurance treaty.

m. To reflect decreases in operating expenses due to the consolidation of administrative functions.

n. To reflect the tax effect for the pro forma adjustments.